

SECURITIES AND EXCHANGE BOARD OF INDIA

DIRECTION UNDER SECTION 11 B OF SEBI ACT, 1992 READ WITH REGULATION 11 OF SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 1995 AGAINST M/S HARSH PRANAV SECURITIES PVT. LTD.

CO/103/ISD/08/2003

1.0 Background

1.1 On observing sudden spurt in the trading volumes in the scrip of M/s Zodiac Clothing Company Ltd. (Zodiac) National Stock Exchange (NSE) conducted investigations into the trading in the scrip from July 05, 2000 to August 22, 2000 and submitted its report to SEBI on January 10, 2001. It was observed in the NSE report that M/s. Vivenasri Financial Services Ltd. was the major net seller and M/s. Harsh Pranav Securities Pvt. Ltd. and M/s. Newfin Financial Services Pvt. Ltd. were major net buyers during the said period. It was also observed that these clients were associated with one another.

1.2 NSE conducted another investigations into the trading in the scrip of Zodiac for the period October 25, 2000 to February 27, 2001. In its report submitted to SEBI on April 30, 2002, NSE observed that the three clients M/s. Vivenasri Financial Services Ltd. (VFSL), M/s. Newfin Financial Services Pvt. Ltd. (NFSPL) and M/s. Harsh Pranav Securities Pvt. Ltd. (HPSPL) were the major traders in the scrip during the said period and they have executed structured deals and cross deals within themselves.

2.0 INVESTIGATION BY SEBI

2.1 In light of the findings of the aforesaid investigations conducted by NSE, Securities And Exchange Board of India (hereinafter referred to as the SEBI) conducted its own investigation into the affairs related to buying, selling and dealings in the shares of Zodiac for alleged market manipulation in the scrip during July 05, 2000 to February 27, 2001.

3.0 FINDINGS OF INVESTIGATION BY SEBI

1. During the period from July 05, 2000 to February 27, 2001 (hereinafter referred to as the "relevant period") the scrip Zodiac clocked a volume of 4,05,551 shares on BSE and 14,55,151 shares on NSE.
2. During the said period, the closing price of the scrip touched a low of Rs. 68.60 on August 04, 2000 and a high of Rs. 95.00 on September 12, 2000 on BSE whereas at NSE the scrip touched the lowest price of Rs. 67.40 on August 08, 2000 and a high of Rs. 96.15 on September 06, 2000.
3. On the basis of the trading details obtained from M/s Harsh Pranav Securities Pvt. Ltd., having its registered office at 419, Kubera Towers, Narayanguda, Hyderabad - 500029, it is observed that HPSPL has done trading in the scrip of Zodiac on NSE and BSE during the relevant period. The details of the trading done are as under :

Sr. No.	Broker	Ex	Gp	GS	Gross Volume	Net Pur / (Net Sale)
1	Shalibhadra Securities Ltd. Total	NSE	802360	0	802360	802360
2	J.G.A. Shah Share Brokers Pvt. Ltd. Total	NSE	7000	0	7000	7000
3	Ghalla Bhansali Stock Brokers (P) Ltd. Total	NSE	1021	0	1021	1021
	Grand Total		810381	0	810381	810381

4. It was also noted that HPSPL had entered into following Off Market Deals with its group company namely VFSL :

Sr. No.	Date	Name of the Company	Rate (Rs.)	Purchase Qty	Sale Qty
1	31/7/2000	Vivenasri Financial Services Ltd	73.00	0	59500
2	22/8/2000	Vivenasri Financial Services Ltd	78.00	0	16600
3	29/8/2000	Vivenasri Financial Services Ltd	90.00	0	25900
4	29/9/2000	Vivenasri Financial Services Ltd	78.50	0	44974
5	11/10/2000	Vivenasri Financial Services Ltd	72.05	0	42300
6	18/10/2000	Vivenasri Financial Services Ltd	71.05	0	7000
7	9/11/2000	Vivenasri Financial Services Ltd	81.30	0	50000
8	10/11/2000	Vivenasri Financial Services Ltd	84.50	0	16870
9	23/11/2000	Vivenasri Financial Services Ltd	78.00	0	7000
10	30/11/2000	Vivenasri Financial Services Ltd	76.00	0	48500
11	7/12/2000	Vivenasri Financial Services Ltd	78.00	0	17075
12	20/12/2000	Vivenasri Financial Services Ltd	76.25	0	62500

Settlement No.	Trade Number	Date	Buy Member	Buy Client	Sell Member	Sell Client	Trade Price	Trade Qty
2000029	200007120576926	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	76.00	10000
2000029	200007120578017	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	75.50	10000
2000029	200007120579145	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	75.00	10000
2000029	200007120579146	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	74.50	10000
2000029	200007120579148	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	74.00	9500
2000029	200007120580441	12-Jul-00	Shalibhadra Sec. Ltd.	9216	B R Khandhar Share & Stk Brokers P L	19902	74.50	10000

It may be mentioned here that 9216 was the client code of HPSPL and 19902 was the client code of VFSL.

b) On October 25, 2000, 24050 shares of ZCCL were traded on NSE. Out of these, 23750 shares were traded by way of Structured deal. NFSPL your group company was a seller through Canara Securities Ltd. (member NSE) while your company HPSPL was a buyer through Shalibhara Securities Ltd. The deals took place @ Rs. 73.40- Rs.73.50 as shown below.

Day Date	Trade Number	Trade Qty	Trade Price	Buy TM Name	Buy Client Name	Sell TM Name	Sell Client Name
25-Oct-00	200010250273980	10000	73.50	Shalibhadra Sec. Ltd.	Harsh	Canara Sec. Ltd.	Newfin
25-Oct-00	200010250275244	10000	73.40	Shalibhadra Sec. Ltd.	Harsh	Canara Sec. Ltd.	Newfin
25-Oct-00	200010250276591	3750	73.40	Shalibhadra Sec. Ltd.	Harsh	Canara Sec. Ltd.	Newfin

3.10 It was observed that aforesaid trades of HPSPL in Zodiac executed within its group companies viz. NFSPL and VFSL by way of structured deals and cross deal had hampered the true price discovery mechanism of the market price of the said scrip.

3.11 From the transactions details and demat details submitted by HPSPL and its other two group companies viz. VFSL and NFSPL it is observed that HPSPL along with its two group companies was also involved in circular trading in the scrip of Zodiac in the following manner :

a) Circular Trading between HPSPL, VFSL and NFSPL during SN 48 of NSE.

(i) During the settlement no 48 of NSE i.e. from November 23 to November 28, 2000, 59,443 shares of Zodiac were traded. Out of this, 49,006 shares were traded on November 23, 2000 and 10,300 shares on November 28, 2000. While on November 24, and November 27, 2000 only 12 and 125 shares were traded.

NFSPL received 34930 shares from Shalibhadra Securities Ltd. (hereinafter referred to as SSL) on November 22, 2000 for the purchases done during the SN 46 of NSE. On November 23, 2000 NFSPL sold 34,900 shares to VFSL in off market transaction. In the demat statement of NFSPL, 34,900 shares of the said scrip are debited to HDFC Bank Ltd. for client Id 10466221 on November 23, 2000. This client Id 10466221 is of VFSL. In the demat statement of VFSL, VFSL received 34900 shares of the said scrip from HDFC Bank Ltd. for client Id 10464234 on November 23, 2000. This client Id 10464234 is of NFSPL.

(ii) HPSPL received 7050 shares from SSL on November 22, 2000 for the purchases done during the SN 46 of NSE. On November 23, 2000 HPSPL sold 7,000 shares of the said scrip @ Rs. 78.00 to VFSL in off market transaction. In the demat statement of HPSPL on November 23, 2000, 7,000 shares of the said scrip are debited to HDFC Bank Ltd. for client Id 10466221. This client Id 10466221 is of VFSL. In the demat statement of VFSL, VFSL received 7,000 shares, of the said scrip, from HDFC Bank Ltd. from client Id 12482988 on November 23, 2000. This client Id 12482988 is of HPSPL.

This suggests that VFSL received 41900 shares (34900 from NFSPL and 7000 shares from HPSPL) in off market transaction on 23 November 2000.

(iii) On November 23, 2000 VFSL sold 25,000 shares through Integrated Master Securities Ltd. (hereinafter referred to as IMSL) on NSE. On the same day i.e. on November 23, 2000 VFSL sold and purchased additional 15,000 shares of the said scrip through SSL. On the same day NFSPL purchased 8100 shares of the said scrip @ Rs. 78.72 through Sony Securities Ltd. on NSE. HPSPL had also purchased 17,000 shares of the said scrip @ Rs. 79.59 through SSL on NSE on the same day.

(iv) From the demat statement of VFSL, it is observed that 25000 shares of ZCCL were debited on November 23, 2000 for SN 48 of NSE to IMSL. From the demat statement of NFSPL, it was observed that 8100 shares were credited by Sony Securities on December 18, 2000 for SN 48 of NSE and on December 20, 2000 NFSPL sold 8100 shares to VFSL (Client Id 10466221) in off market transaction. From the demat statement of HPSPL, it is observed that 8100 shares of the said scrip were credited by SSL on December 06, 2000 for SN 48 of NSE. Further, on December 07, 2000 HPSPL sold 17075 shares of the said scrip @ Rs. 78.00 to VFSL (client Id 10466221) in off market transaction.

(v) From the demat account of VFSL, it was observed that VFSL received 17,075 shares of Zodiac on December 07, 2000 from HDFC Bank Ltd. from client Id. 12482988 (HPSPL) and another 8100 shares on December 20, 2000 from HDFC Bank Ltd. from client Id. 10464234 (NFSPL).

b) Circular Trading done by HPSPL and VFSL during SN 2000051 of NSE.

(i) During the settlement no 51 of NSE (from December 13 to December 19, 2000), a total no. of 46,846 shares were traded at NSE. Out of this, 45,520 shares were traded on December 15, 2000. While 550, 425, 50 and 301 shares were traded on December 13, 14, 18 and 19, 2000 respectively. VFSL sold 45,000 shares on December 15, 2000 through Namah Capital Resources Ltd. (NCRL) @ Rs. 78.00 to Rs. 80.00. HPSPL purchased 44,975 shares on December 15, 2000 through SSL. HDFC Bank Ltd. is the custodian Participant for VFSL for the trading done through NCRL.

i. From the demat statement of VFSL it is seen that 45,000 shares traded on December 15, 2000 in SN 51 were debited to HDFC Bank Ltd. on December 16, 2000. Also, in the demat account statement of HPSPL, 44,975 shares were received on December 27, 2000. On December 28, 2000 HPSPL sold 44900 shares @ Rs.76.25 to VFSL in off market transaction. The same is reflected in demat statement of HPSPL and VFSL.

ii. In the demat account of HPSPL, 44900 shares are debited to HDFC Bank Ltd. for VFSL (client Id 10466221) on December 28, 2000 and the same shares are credited in VFSL's demat account by HDFC Bank Ltd. by HPSPL (client Id account no 12482988) on the same day.

All these trades as aforesaid, executed within the group companies of HPSPL resulted in circular trading and hampered the true price discovery mechanism of the market price. It was also observed that the aforesaid trades created artificial volumes in the scrip and that these trades were not intended to effect the transfer of beneficial ownership but intended to operate only as a device to cause fluctuations in the market thereby reflecting the prices of the scrip of Zodiac Clothing Company Ltd. which were based on not genuine trade transactions and hence created a false and misleading appearance of trading in the scrip by trading among HPSPL's group companies through different set of brokers.

3.12 HPSPL was thus found to be a party to the irregular trades as aforesaid which were not intended to effect the transfer of beneficial ownership but were intended to operate only as a device to cause fluctuations in the market. These trades were not genuine trade transactions and hence it was noted that HPSPL created a false and misleading appearance of trading in the scrip in violation of the provisions of Regulation 4 (a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 (hereinafter referred to as the "said Regulations").

4.0 SHOW CAUSE NOTICE

1. On the basis of the aforesaid finding of the Investigations conducted by SEBI, a detailed show cause notice dated April 28, 2003, was issued to M/s.Harsh Pranav Securities Pvt. Ltd.

4.2 Vide said show cause notice HPSPL was directed to show cause as to why appropriate direction under Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 read with Section 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, including restraining it from accessing the securities market and prohibiting it from buying, selling or dealing in the securities market in any manner whatsoever for a particular period should not be passed.

5.0 REPLY TO THE SHOW CAUSE NOTICE AND PERSONAL HEARING :

1. HPSPL did not submitted its reply to the show cause notice. However, when in compliance to the principle of Natural Justice, before taking a final view in the matter, a personal hearing was granted to HPSPL on 09.07.03, its representatives apart from making oral submissions, also filed their reply to the show cause notice dt. April 28, 2003.

6.0 SUBMISSIONS MADE IN THE PERSONAL HEARING :

1. Shri P V Muralikrishna, Director, VFSL and HPSPL AND Shri GS Sridhar, Director NFSPL (hereinafter referred to as representatives of HPSPL) appeared for the personal hearing and made oral submissions before me. During the submissions while admitting of indulging in cross and structured deals and also doing circular trading among its group companies as alleged, they submitted that the same was done as it required some liquid cash for its business. They however undertook that such acts of omissions and commissions shall not be repeated in future.

6.2 It was further submitted that their aforesaid acts has not resulted in any wrongful loss to any of the investor in the securities market as there was no unusual movement in the price of the scrip of Zodiac during the relevant period on account of the trades done by them as detailed in the show cause notice. On this basis, it was prayed by the representative to drop the proceedings.

6.3 Vide their reply to the show cause notice submitted during the personal hearing, they submitted as under :

- a) The trading pattern, volumes and the price range in Zodiac during the relevant period and the equivalent periods preceding and succeeding the relevant period on both the exchanges are as follows :

Month	BSE			NSE		
	Volume	High	Low	Volume	High	Low
Preceding 8 months	1400		136	8800	154	130
Nov' 1999	26700	155	140	40900	213	140
Dec' 1999	11400	208	143	18000	194	145
Jan' 2000	36200	194	110	20000	150	110
Dec' 2000	8500	152	88	12600	116	90
Mar' 2000	9000	120	71	11000	99	75
Apr' 2000	4300	100	65	19000	90	69
May' 2000	15800	89	71	14100	101	70
June' 2000		102				
Total volumes	113300	208	65	144400	213	69
Relevant 8 month period						
July' 2000	70300	85	69	78300	90	65
Aug' 2000	191650	95	68	108281	95	67
Sept' 2000	3304	95	76	79024	100	75
Oct' 2000	25983	79	71	185687	79	69
Nov' 2000	27261	87	75	361008	83	70
Dec' 2000	50413	83	73	205759	83	70
Jan' 2001	27300	81	69	239750	81	67
Feb' 2001	9340	79	70	197342	77	65
Total volumes	405551	95	68	1455151	100	65
LESS						
Volumes of VFSL group	276175					

				1392657		
Volumes of others	129376	95	68	62494	100	65
Succeeding 8 months						
Mar'2001		68	41	94005	68	
Apr'2001	35892	44	32	107855	45	39
May'2001	35626	51	35	45242	50	31
June'2001	15583	52	43	12180	50	36
July'2001	1360	52	44	7939	52	45
Aug'2001	17079	50	42	17224	48	42
Sept'2001	10682	44	37	7753	46	42
Oct'2001	10285	46	40	2758	45	38
	5783					37
Total volumes	132290	68	32	294956	68	31

- b. There was no major change in the involvement of the general investing / trading public in the trading of the said scrip on account of the volumes said to be created by HPSPL. The investors had not been affected by the said transactions carried out by HPSPL. The transactions of HPSPL had not influenced the investing / trading decisions of the investors nor had they induced the investors to invest in the said scrip.
- c. The price movement remained unaffected either during the relevant period or during the succeeding period. The transactions of HPSPL had not hampered the true price discovery mechanism of the market price of the scrip.
- d. The bids or offers of HPSPL were made only at the prevailing prices without any variation therefrom.
- e. None of the transactions of HPSPL were intended to operate only as a device to inflate, depress or cause fluctuations in the market price of the said scrip.
- f. HPSPL has not indulged in any acts or transactions, which resulted in wrongful reflection of prices of the scrip.

7.0 CONSIDERATION OF SUBMISSIONS AND FINDINGS :

7.1 I have carefully considered the findings of the investigation report, charges levied vide show cause notice, replies received from HPSPL and submissions made during the personal hearing.

7.2 In view of the admissions of guilt and other submissions made on behalf of HPSPL during the personal hearing, as aforesaid, I find that HPSPL had indulged in the structured and cross deals as per the findings of the Investigation conducted by SEBI. Further, I find that the aforesaid trades of HPSPL executed within its group companies have resulted in circular trading in the scrip of Zodiac and have hampered the true price discovery mechanism of the market price & has created artificial volumes in the scrip.

7.3 By entering in to the aforesaid transactions of buying/selling of the shares of Zodiac which were not intended to effect the transfer of beneficial ownership but intended to operate only as a device to cause fluctuations in the market price which was based on non-genuine transactions, HPSPL was instrumental in creating a false and misleading appearance of trading in the scrip of Zodiac Clothing Company Ltd.

7.4 The submission of HPSPL that their aforesaid transactions did not result in any wrongful loss to any of the investor and also there was no unusual movement in the price of the scrip does not absolve them from the wrongdoings which were per-se illegal. It is well established principle of law that indulging in an act which is illegal per-se and not permitted by law, makes the person liable to be punished for the violation of law, irrespective of fact whether the

act of omission and commission in question had resulted in any loss or not.

5. I therefore find that M/s.Harsh Pranav Securities Pvt Ltd. created a false and misleading appearance of trading in the scrip in violation of the provisions of Regulation 4 (a), (b), (c) and (d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 (hereinafter referred to as the "said Regulations") and therefore I am of the view that HPSPL is not a fit and proper person which may be allowed to continue in the securities market in order to maintain the sanctity and integrity of the market.

8.0 ORDER

1. Having regard to the above I, in exercise of the powers conferred upon me under Section 4(3) of the SEBI Act, 1992, read with Regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 1995 and Section 11(4)(b) and 11B of SEBI Act, 1992, hereby prohibit M/s.Harsh Pranav Securities Pvt. Ltd. from buying, selling and dealing in securities, in any manner, directly or indirectly, for a period of five years.

8.2 This order shall come into force with immediate effect.

CHAIRMAN

SECURITIES AND EXCHANGE BOARD OF INDIA

Date : 25th August, 2003

Place : Mumbai